

Rental of Tangible Personal Property

CITY OF GLENDALE PRIVILEGE LICENSE (Sales) TAX

WHO MUST PAY THE TAX?

You must be licensed and pay tax if you are located in Glendale and you lease, rent or license for use tangible personal property. Any use of tangible personal property that does not give the user a level of control that can be termed a rental or lease is licensing for use. You must also be licensed and pay tax if you are not located in Glendale but lease semi-permanently or permanently installed personal property to customers within the City of Glendale.

Semi-permanently or permanently installed property includes items requiring alterations to the premises or where a contract states that the items will be located in Glendale for more than 180 days. Semi-permanently or permanently installed property does not include mobile transportation equipment or tangible personal property designed for or regularly used at different locations. Leases of tangible personal property that is semi-permanently or permanently installed in another city should be reported to that city.

WHAT IS THE CITY TAX RATE?

The city's tax rate is 2.9%; the combined rate (including State & County taxes) is 10.2%.

WHEN IS TAX DUE?

Your tax return and payment are due on the 20th day of the month following the reporting period.

SPECIAL PROVISIONS

- The lease of a motor vehicle for 24 months or longer occurs at the location of the vehicle dealership, not the place of business of the lessor or the address of the lessee.
[Example: In the lease of a vehicle to a person (lessee) in City A from a third party person (lessor) in City B who acquired the vehicle from a dealership in City C, *City C is due the tax.*]
- The lease of earthmoving equipment with an operator is considered a construction contracting activity. The lease of any other tangible personal property, with or without an operator, is considered leasing of tangible personal property.
- The hiring of mobile equipment, such as limousines or cranes, is considered leasing of tangible personal property when the charge is for a fixed amount or an hourly rate.
- Memberships, monthly fees or admission fees to rental clubs or limited access lessors, such as a video rental store, are *taxable*.
- Licensing for Use of coin-operated washing, drying, and dry cleaning machines, or from coin-operated car washing machines is *taxable*.
- The activity of a common carrier, such as an airline, bus service or taxi, which conveys persons or goods for a fee based on distance or time is transportation for hire and is *taxable*.
- A maintenance or service contract that is a required part of the lease contract is *taxable*. Optional maintenance or service contracts are *not taxable*.
- Joint pole usage fees charged by a utility or telecommunications company to another utility or telecommunications company are *not taxable*.

DEDUCTIONS THAT CAN BE TAKEN (when included in the gross income on the front of your tax return):

1. State, county and city tax collected whether charged separately or included in the lease price.
2. Leases for release.
3. Charges for repair, service or installation labor.
4. Discounts, refunds or returns.
5. Freight out or delivery charges.
6. Leases to "Qualifying Health Care Facilities," including: hospitals, nursing homes & dialysis centers (must be non-profit).
7. Trade-ins.
8. Leases of "Income-Producing Capital Equipment" as defined by the City Code.
9. Leases of prescribed prosthetics.
10. Warranty, maintenance, and service contracts (if optional).

CALCULATING THE TAX

You may choose to charge the tax separately or you may include tax in your price. If you include tax in your price (no separate charge for tax), you may back out the tax in order to compute the amount of tax included in your gross income. The formula is:

TAXABLE SALES divided by 1 + COMBINED TAX RATE of 10.2% (state, county & city tax)

Calculate the tax deduction as follows:

Taxable Sales ÷ Factor (1.102) = *Computed Taxable Income*.

Taxable Sales less *Computed Taxable Income* equals your deduction for tax collected.

Example: \$3,000.00 ÷ 1.102 = \$2,722.32

\$3,000.00 - \$2,722.32 = \$277.68 (tax collected deduction)

If more tax was collected than was due, the city's portion of excess tax collected must be paid to the city, unless it is refunded to the customer. Please refer to the Privilege (Sales) Tax Instruction Sheet for instructions on how to report excess tax collected or the tax collected deduction.

For more information, on our licensing, tax rates, tax return instructions or a copy of the Tax Code go to www.glendaleaz.com/taxandlicense/ or call (623) 930-3190 or send correspondence to:

City of Glendale, Tax & License Division
5850 W. Glendale Ave, Suite 104
Glendale, AZ 85301.

This is general information only. The intent is to condense and simplify the language in the Glendale City Tax Code. For complete details, refer to the Glendale City Tax Code.